November 20, 2000

Mary Cottrell, Secretary

Department of Telecommunications and Energy

One South Station

Boston, Massachusetts 02110

Re: Fitchburg Gas & Electric Light Company, D.T.E. 00-66

Nstar Electric Company, D.T.E. 00-70

Massachusetts Electric Company, D.T.E. 00-67

Dear Secretary Cottrell:

I am writing to supplement earlier written and oral comments in this proceeding for the limited purpose of providing additional information relevant to matters on which questions were posed during the course of last Thursday's public hearing. These supplemental comments address two topics: actions which the Commissioners can and should take now to make any subsequent increases "less painful" and "more fair" as well

as the relevance of earlier settlement agreements to issues now pending before the Department.

First, the Attorney General identified in earlier comments a number of actions that the Department can and should take now to reduce the "pain" from any "fuel cost adjustment" and to create the "fair" sharing of benefits and burdens that is required by the Restructuring Act. *See* Tr. pp. 13-15 (questions by Commissioner Sullivan regarding the practical effect of an investigation) These actions are overdue and should be taken prior to allowing any increases in the Companies' rates:

- adjust the rates of Commonwealth Electric Company ("ComElectric") and Cambridge Electric Light Company ("Cambridge") to reflect the benefits of the long delayed mitigation of their Seabrook costs[(1)];
- further adjust Cambridge's rates to reflect overdue mitigation from the Blackstone generating plant[(2)];

- conclude the long pending investigation of the Boston Edison' investment in a telecommunications joint venture (briefs were filed nearly twenty months ago) and adjust Edison's transition cost charge to reflect a reasonable estimate of the amount to be returned to customers;

- adjust Fitchburg Gas & Electric Light Company's distribution rates to eliminate excess profits that were brought to the Department attention in May, 1998 and again in December, 1999.

The first three actions would not require any substantial additional effort by the Department and timely action on the fourth could restore some semblance of fairness to the process. A timely proceeding to investigate other options and mechanisms for mitigation could result in prompt identification of any overstatement in fuel costs by the companies[(3)] as well as provide the basis for further investigation into particular questions such as the reasonableness of individual companies' distribution rates or their efforts to mitigate the impact of their transition charges through the use of utility assets. While some time would be necessary for these actions to result in rate changes to mitigate the increases under consideration, there is no reason to believe that most of the mitigation could not be in place within less time than the nearly three months that have passed since the increases were first proposed.

Second, notwithstanding the Department's earlier approval of restructuring settlement agreements that provide expressly for fuel adjustment mechanisms and exempt the effect of any such adjustments from the determination of compliance with the percent rate reduction requirements, *See* Tr. pp. 29-33, 39-41, 44-45 (questions by Chairman Connelly regarding the terms and signatories of earlier settlements) the Department has already explained that those terms do not constrain its implementation of the terms of the Restructuring Act: "The Department ... is required ... to ensure that ... [settlement terms do] not impair the mandated rate reductions." *Boston Edison Company*, D.P.U./D.T.E. 96-23, p 31 (1998). Moreover, the Department has previously indicated that "a significant or material change in circumstance may warrant a departure from " the terms of prior settlements. *Boston Edison Company*, D.T.E. 98-119/126, p. 46 (1999).[(4)]

On behalf of the Attorney General, I thank the Department for this opportunity to supplement his earlier comments and am available to answer any further questions the Department may have in regard these comments or any other aspect of this proceeding.

Sincerely,

George B. Dean

Assistant Attorney General

Chief, Regulated Industries Division

cc: D.T.E. 00-66, 67, 70 service lists

1. Subsequent to the Attorney General's October 10, 2000 comments in D.T.E. 00-70 urging the Department to take action in connection with ComElectric and Cambridge's Seabrook costs, on October 26, 2000, the Department issued an order in D.T.E. 99-89 in which it approved the Companies' October 26, 1999, proposal to buy-down their Seabrook costs and rejected the Attorney General's claim that the buy-down should have been proposed earlier. While the Attorney General has sought reconsideration of certain aspects of that decision on the basis of procedural irregularities, the "going forward" savings from the buyout are significant (approximately 0.2¢ per kWh) and should be implemented prior to any increase.

2. At a minimum, the Department should require that Cambridge's transition charge be reduced by the amount necessary to amortize over seven years the low end of the range of market values for the plant. While Nstar may consider Blackstone to be "a relatively small piece of property" that can be divested at leisure while it continues to provide steam to the company's unregulated steam affiliate, it should not be allowed to increase it rates before providing a long overdue 0.1¢ per kWh of mitigation.

3. It is not clear from information provided by Nstar whether the current power costs of ComElectric and Cambridge are less than the revenues they would receive at the new standard offer rates that they have proposed. *See e.g.* DTE-1-7.

4. It is also worth noting in connection with the question of the impact of earlier settlement terms on the Department's actions here, that contrary to a suggestion otherwise Tr. p. 158, the rate plan approved in connection with the NEES/EUA merger expressly allows for a distribution rate investigation notwithstanding the fact that it was founded expressly upon a finding that the individual company's existing rates were reasonable and included a requirement for an immediate rate reduction and the subsequent adoption of an aggressive, benchmark approach to ratemaking.